

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 XMB-02 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-01 INR-05 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 FEAE-00 OMB-01 SWF-01 OIC-02 NEA-06 AF-04 ARA-06

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P R 091246Z DEC 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 7958

INFO ALL EC CAPITALS 136

AMEMBASSY OTTAWA

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PASS TREASURY FOR PELIKAN, EXIMBANK FOR GIANTURCO

E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: EXPORT CREDIT MEETINGS, DECEMBER 4-6

1. SUMMARY: THE US DELEGATION DISCUSSED THE WASHINGTON MINUTE AND THE PROPOSED GENTLEMEN'S AGREEMENT ON EXPORT CREDIT LIMITATION AT SUCCESSIVE TECHNICAL LEVEL MEETINGS WITH THE OTHER PARTIES INVOLVED ON DECEMBER 4-6. MEETINGS WERE DIFFICULT AND PARTICIPANTS GENERALLY FELT THAT WITH SOME EXCEPTIONS POSITIONS HAD MOVED APART. IN PART THIS LACK OF PROGRESS WAS ATTRIBUTABLE TO A LACK OF TIME TO ADEQUATELY STUDY NEW PROPOSALS. END SUMMARY.

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2. ON DECEMBER 4, THE US MET WITH REPRESENTATIVES OF FRANCE, GERMANY, UK, ITALY, JAPAN, CANADA AND THE EC COMMISSION TO DISCUSS IMPLEMENTATION OF THE WASHINGTON AGREED MINUTE OF OCTOBER 2. ON DECEMBER 5-6 THE US MET WITH THE SAME COUNTRIES (EXCEPT CANADA) PLUS THE REST OF THE EC NINE ON THE PROPOSED GENTLEMEN'S AGREEMENT TO LIMIT EXPORT CREDIT COMPETITION.

3. DIFFICULT NEGOTIATIONS: NEGOTIATIONS AT BOTH MEETINGS WERE DIFFICULT AND RESULTS WERE, AS CHARACTERIZED BY FRENCH CHAIRMAN, "MEAGER". PART OF THE PROBLEM WAS THAT THE LATEST EC DRAFT WAS CIRCULATED ONLY A FEW DAYS BEFORE THE MEETING AND THE US COUNTER-DRAFT COULD ONLY BE PRESENTED AT THE DECEMBER 4 MEETING. DELEGATIONS WERE, THERE FORE, UNINSTRUCTED ON NEW PROPOSALS RAISED BY THE US. ALL PARTIES FELT THERE WAS SOME REGRESSION FROM POSITIONS AT EARLIER MEETINGS AND THAT EACH SIDE WAS SEEKING MORE LOOP-HOLES IN FAVOR OF OWN NATIONAL PROGRAMS. MEETINGS DID, HOWEVER, ACHIEVE A SHARPENING OF ISSUES AND A BETTER UNDERSTANDING OF POSITIONS. THEY ALSO REVEALED MUTUAL APPREHENSIONS REGARDING THE WORDING OF EXCEPTIONS AND THE SCOPE OF AGREEMENT.

4. MORE WORK IS CLEARLY NEEDED BEFORE ANOTHER MEETING CAN BE HELD. THE EC COMMISSION WILL CIRCULATE A COMBINED DRAFT PRESENTING US, EC, AND JAPANESE PROPOSALS. SEVERAL DELEGATIONS--THE UK, GERMAN, FRENCH, AND JAPANESE--PRIVATELY URGED INFORMAL BILATERAL CONSULTATIONS WITH THE US IN ADVANCE OF ANY FUTURE SESSION. SEVERAL DELEGATIONS ASKED THE COMMISSION TO CIRCULATE A PROPOSED DRAFT AGREEMENT AT LEAST TWO WEEKS BEFORE THE NEXT MEETING.

5. DISCUSSION OF WASHINGTON MINUTE: DELEGATIONS SAID THE VAGUENESS OF THE MINUTE CREATED SERIOUS PROBLEMS IN APPLYING IT. IN ORDER TO CLARIFY THEIR POSITIONS, EC, CANADA AND JAPAN STATED THAT THEY WERE WILLING TO APPLY THE 3 YEAR LIMIT ON EXPORT CREDIT SUPPORT IN HIGHLY DEVELOPED COUNTRIES TO ALL LIMITED OFFICIAL USE

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PROGRAMS, INCLUDING GUARANTEES AND INSURANCE, AS LONG AS OTHERS DID SO. THE US SAID IT WAS APPLYING THE AGREEMENT TO DIRECT CREDITS BUT NOT TO GUARANTEES AND INSURANCE UNACCOMPANIED BY GOVERNMENT ASSISTED LOW INTEREST RATE FINANCING. THE JAPANESE WANTED TO APPLY SEVERAL EXCEPTIONS TO THE THREE YEAR LIMITATION ON OFFICIAL CREDITS AMONG SIGNATORIES AND TO WEALTHIER OIL PRODUCERS. THESE EXCEPTIONS WERE:

A OECD SECTORAL AGREEMENTS, B) MATCHING CREDITS GRANTED BY COMPETITORS, C) PRIOR COMMITMENTS, D) DEVELOPMENT ASSISTANCE, AND E) LARGE PROJECTS INVOLVING OVER \$100 MILLION WORTH OF IMPORTS. THE LATTER TWO EXCEPTIONS WERE NOT ACCEPTABLE TO THE EC. THE UK INDICATED THAT IT HAD DIFFICULTY ADHERING TO THE THREE YEAR LIMIT AND PREFERRED TO CHANGE IT TO FIVE YEARS. QUESTIONS WERE RAISED ON THE WAYS IN WHICH GOVERNMENTS WERE INTERPRETING THE AGREED MINUTE AND HOW IT WOULD RELATE TO THE GENTLEMEN'S AGREEMENT. THE US SUGGESTED THAT THE LOGICAL STEP WOULD BE TO FOLD THE MINUTE INTO A GENTLEMEN'S AGREEMENT, BUT THE MODALITIES AND TIMING WERE UNCLEAR.

6. CANADA EXCLUDED FROM DEC. 5-6 MEETING: THE GOC DELEGATION OFFICIALLY REQUESTED TO PARTICIPATE IN THE NEGOTIATIONS ON GENTLEMEN'S AGREEMENT, BECAUSE THE ISSUES OF THE TWO MEETINGS WERE INEXTRICABLY LINKED. JAPAN, THE UK, AND THE US SUPPORTED THIS REQUEST. AFTER AN EC CAUCUS, THE COMMUNITY DECIDED NOT TO INVITE CANADA TO PARTICIPATE ON THE GROUNDS THAT OTHER COUNTRIES (AUSTRIA, SWEDEN, SWITZERLAND) WOULD ALSO SEEK PARTICIPATION AND THIS WOULD COMPLICATE NEGOTIATIONS. THE US DELEGATION INDICATED STRONG DISAGREEMENT WITH THIS DECISION AT THE DEC. 5 OPENING SESSION OF THE LARGER MEETING. THE CANADIAN DELEGATION WAS DISMAYED AND TOLD US PRIVATELY THEY PLANNED TO INDICATE THEIR DISSATISFACTION TO THE EC MEMBER STATES.

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7. DISAGREEMENTS OVER THE GENTLEMEN'S AGREEMENT:
MAJOR DIFFERENCES IN THE PROPOSED GENTLEMEN'S
AGREEMENT WERE: (A) WHETHER THE INTEREST RATE FLOOR
APPLIED TO THE CONTRACT OR THE REFINANCING RATE;
(B) THE EXTENT TO WHICH CERTAIN CUSTOMARY EUROPEAN
CHARGES WERE INCLUDED IN THE INTEREST RATE;
(C) WHETHER OR NOT CERTAIN EUROPEAN GUARANTEE,
INSURANCE AND FINANCING SCHEMES WOULD BE LIMITED BY
AGREEMENT TERMS; (D) THE LEVEL OF THE INTEREST RATE
FLOOR; THE JAPANESE WERE ADAMANT IN REFUSING TO RAISE
THE MINIMUM RATE ABOVE 7.5 PERCENT; (E) THE TREATMENT
OF PRIOR AGREEMENTS AND COMMITMENTS AND THE COVERAGE
OF MIXES CREDITS; (F) THE US PROPOSAL TO RAISE THE
REPAYMENT FOR RICH COUNTRIES TO 81/2 YEARS (VERSUS THE
EC 5-YEAR PROPOSAL); AND (G) THE US PROPOSAL TO
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PERMIT UNLIMITED MATURITIES AT SPECIFIED HIGHER
INTEREST RATES.

8. SOME AREAS OF AGREEMENT: AREAS IN WHICH THE
POSITIONS MOVED CLOSER TOGETHER WERE; (A) THE
TREATMENT OF LOCAL COSTS; AND (B) THE CATEGORIZATION
OF COUNTRIES BY GNP GROUPINGS. THE JAPANESE,
HOWEVER, CONTINUED TO INSIST THAT ALL COUNTRIES ON
THE DAC LIST SHOULD BE CATEGORIZED AS ELIGIBLE FOR
THE MOST LIBERAL TERMS. THE EC SUPPORTED THE US
PROPOSAL THAT 10 PERCENT WAS AN APPROPRIATE RATE
FOR CREDITS TO RICH COUNTRIES.

8. COMMENT: THE US DELEGATION DISCUSSED PRIVATELY
WITH THE FRENCH CHAIRMAN OF THE MEETING (GAVIS) THE POS-
SIBILITY OF INFORMALLY MEETING WITH SEVERAL OF THE
PRINCIPAL PARTICIPANTS BEFORE HOLDING ANOTHER GENERAL
MEETING. THE PURPOSE OF THIS MEETING WOULD BE TO

NARROW THE POINTS OF DISAGREEMENT AND TO PREPARE
A REVISED DRAFT AGREEMENT. END COMMENT.GREENWALD

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